

Message Text

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CINCPAC

C O N F I D E N T I A L WELLINGTON 3492

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: PFOR, PGOV, PINT, NZ

SUBJECT: NEW ZEALAND UNDER ROWLING

1. SUMMARY-NEW ZEALAND POLITICAL LIFE HAS ADJUSTED OVER THE PAST TWO MONTHS TO THE DEATH OF NORMAN KIRK AND TO THE LEADERSHIP OF BILL ROWLING. MORE PRGAMATIC THAN KIRK, ROWLING'S ECONOMIC MOVES BEAR OUT THE PREDICTIONS HE WOULD PLACE MORE EMPHASIS ON DOMESTIC RATHER THAN INTERNATIONAL AFFAIRS. END SUMMARY.

2. THE MAJOR POINT ARISING FROM ROWLING'S STEWARDSHIP THUS FAR HAS BEEN HIS EMPHAIS ON THE ECONOMY. HE RECOGNIZES THIS TO BE LABOUR'S WEAKEST SUIT AND HAS ALREADY TAKEN SEVERAL STEPS TO TRY TO SLOW INFLATION AND PRESERVE FOREIGN EXCHANGE HOLDINGS. THE MEASURES ADOPTED TO DATE ARE PROBABLY TOO MODERATE TO HAVE A MAJOR EFFECT AND MORE STRINGENT STEPS MAY HAVE TO BE ADOPTED EARLY IN THE NEW YEAR. THAT NOTWITHSTANDING, ROWLING HAS MANAGED TO FOCUS ATTENTION ON THE ECONOMY IN SHUCH A WAY AS TO OBTAIN MAXIMUM SUPPORT FOR HIS EFFORTS. THE GENERAL PUBLIC WAS RELIEVED THAT THE MEASURES ANNOUNCED OCTOBER 23 WERE NO MORE

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SEVERE THAN THEY WERE WHILE LABOUR AND BUSINESS LEADERS

HAVE PLEDGED TO DO THEIR SHARE TO SLOW INFLATION. THESE PLEDGES WILL BE PUT TO A SEVERE TEST IN DECEMBER AND JANUARY AS NEGOTIATIONS TAKE PLACE TO DECIDE THE AMOUNT OF THE JANUARY GENERAL WAGE ORDER. ROWLING'S APPROACH, HOWEVER, SEEMS TO HAVE HAD ITS EFFECT ON THE PUBLIC AND THE GOVERNMENT IS LIKELY TO ENTER THESE NEGOTIATIONS IN A VERY STRONG POLITICAL POSITION.

3. POLITICALLY, ROWLING HAS ESTABLISHED HIMSELF WELL WITH THE BODY POLITIC. HE IS BENEFITING FROM A HONEYMOON PERIOD AND HIS QUIET CONFIDENCE, NOTED IN EMBASSY REPORTING WHEN HE TOOK OFFICE, HAS PROJECTED WELL. HE GIVES THE APPEARANCE OF AMAN WHO KNOWS THE COUNTRY'S PROBLEMS AND HOW TO DEAL WITH THEM. WITHIN THE PARTY HE STILL HAS SOME PROBLEMS WITH THE LEFT AS WITNESSED BY ATTORNEY GENERAL MARTYN FINLAY'S INDEPENDENT COMMENTS CONCERNING THE SUTCH CASE. IT IS UNLIKELY ROWLING WILL EVER HAVE KIRK'S ABILITY TO CONTROL THE LEFT BUT IT IS EQUALLY UNLIKELY THAT HE WILL HAVE INSOLUBLE PROBLEMS IN OBTAINING THEIR SUPPORT.

4. IN INTERNATIONAL AFFAIRS ROWLING HAS PLEDGED TO CONTINUE

KIRK'S POLICIES. NEW ZEALAND CONTINUES TO FOCUS ON THE SOUTH PACIFIC AND SOUTHEAST ASIA. LOW PROFILE MEMBERSHIP IN SEATO AND ACTIVE PARTICIPATION IN THE FIVE POWER DEFENSE AGREEMENT WILL CONTINUE. ECONOMIC PROBLEMS MAY FORCE SOME CURTAILMENT OF AID PROGRAMS ALTHOUGH THERE ARE NO SIGNS AT THE MOMENT THAT THIS WILL OCCUR IN THE NEAR TERM. ROWLING WILL PROBABLY VISIT ENGLAND, JAPAN AND SOME OF THE EEC COUNTRIES EARLY NEXT YEAR IN AN EFFORT TO SHORE UP MARKETS FOR NEW ZEALAND TRADE. A SHORT STOP IN THE US EITHER BEFORE OR AFTER HIS EUROPEAN SWING IS A POSSIBILITY.

5. COMMENT: ALL THINGS CONSIDERED ROWLING HAS DONE WELL IN ESTABLISHING HIS ADMINISTRATION. HE HAS GAINED THE CONFIDENCE OF THE PUBLIC AND, PERHAPS MORE IMPORTANTLY, HAS DEMONSTRATED TO HIMSELF THAT HE CAN RUN THE GOVERNMENT. AND HE RECOGNIZES THAT HIS, AND THE LABOUR PARTY'S ACHILLES HEEL IS THE ECONOMY.

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